

Message Text

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ACTION EA-14

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 2683

INFO AMEMBASSY MOSCOW

AMCONSUL HONG KONG

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E. O. 11652: N/A

TAGS: ENRG JA UR

SUBJ: YAKUTSK COAL DEVELOPMENT

REF: A) TOKYO 2283; B) C-ER-3-57058

SUMMARY: PLANS FOR JAPANESE- SOVIET TALKS ON DEVELOPMENT OF SOUTH YAKUTSK COAL WERE INTERRUPTED BY UNEXPLAINED FAILURE OF SOVIET DEL TO SHOW UP IN TOKYO. DESPITE THIS SETBACK NIPPON STEEL OFFICIAL SAYS PROSPECTS FOR PROJECT, WHICH WOULD INVOLVE JAPANESE EXIM LOAN OF \$350 MILLION, ARE IMPROVING. END SUMMARY.

1. AS REPORTED REFTEL, SOVIET DELEGATION HEADED BY BORIS NIKOLAYENKO, CHAIRMAN OF V/O SOYUZPROMEKSPORT, WAS TO HAVE ARRIVED IN TOKYO MARCH 26 FOR TALKS REGARDING JAPANESE PARTICIPATION IN DEVELOPMENT OF SOUTH YAKUTSK COAL FIELDS. TWENTY- SIXTH HOWEVER HAS COME AND GONE WITHOUT ARRIVAL OF SOVIET DELEGATION AND NO WORD OF EXPLANATION HAS BEEN RECEIVED FROM MOSCOW AS TO CAUSE OF DELAY OR EXPECTED TIME OF ARRIVAL. JAPANESE UNDERSTANDABLY SOMEWHAT IRRITATED BY SOVIET QTE NO SHOW UNQTE AND THEIR
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INABILITY TO DETERMINE CAUSE FOR DELAY.

2. NAOTSUGU WAKAMURA, SENIOR ASSISTANT TO GENERAL MANAGER OF NIPPON STEEL'S FUEL AND FERROUS MATERIALS, DEPT. TOLD EMBOFF MARCH 28 THAT SOVIETS WERE TO BRING EXTENSIVE TECHNICAL MATERIAL WITH THEM ON SOUTH YAKUTSK COAL DEPOSITS. ADDED THAT HE FELT REASON FOR DELAY WAS THAT SOVIETS NOT READY PRESENT PROMISED DATA.

3. WAKAMURA VIEWED SOVIET ACTION, HOWEVER, AS ONLY TEMPORARY SETBACK IN PROJECT WHICH LOOKING MORE PROMISING THAN BEFORE. INITIALLY, WAKAMURA EXPLAINED, SOUTH YAKUTSK COAL WAS FOUND IN JAPANESE TESTS TO BE OF INFERIOR QUALITY. SUBSEQUENTLY, HOWEVER, SOVIETS DISPATCHED OTHER TEST SAMPLES FROM WESTERN EDGE OF YAKUTSK COAL FIELDS (FIRST SAMPLE REPORTEDLY CAME FROM EASTERN EDGE OF FIELDS). LATER SAMPLES PROVED TO BE ROUGHLY SAME QUALITY AS COKING COAL FROM U. S. AND HIGHER IN QUALITY THAN COKING COAL AVAILABLE FROM CANADA OR AUSTRALIA. (TEST SAMPLES SHOWED FOLLOWING CHARACTERISTICS: ASH 9-10 PERCENT; VOLATILE MATTER 18-21 PERCENT; SULFUR CONTENT 0.6 PERCENT; AND QTE GOOD UNQTE COKING PROPERTY).

4. ACCORDING WAKAMURA, NIPPON STEEL, WHICH WILL BE PRINCIPAL CONSUMER OF SOVIET COAL, IS WORKING HARD TO CONVINCE GOJ TO EXTEND \$350 MILLION LOAN FOR EQUIPMENT NECESSARY FOR PROJECT. CONTRACT WILL BE FOR 5 MILLION TONS PER YEAR OVER MOST OF 15-20 YEAR CONTRACT PERIOD TO BEGIN IN 1980. WAKAMURA ADDED THAT NAGANO, BOARD CHAIRMAN OF NIPPON STEEL, HAD TOLD SOVIETS HE WOULD WORK TOWARD GOAL OF SIGNING AGREEMENT ON YAKUTSK COAL AT SCHEDULED JULY MEETING OF JAPAN- SOVIET ECONOMIC COOPERATION COMMITTEE.

5. WAKAMURA ACKNOWLEDGED, HOWEVER, THAT MANY PROBLEMS, INCLUDING PRICE, SOVIET DESIRE FOR UNTIED LOAN, UNAVAILABILITY OF SOME OF MINING EQUIPMENT IN JAPAN, AS WELL AS NECESSITY OF VERIFYING QUALITY OF SOVIET COAL REMAINED TO BE SETTLED PRIOR TO ANY AGREEMENT. ALSO ACKNOWLEDGED THAT DURING MARCH 12 MEETING BETWEEN MITI MINISTER NAKASONE AND SOVIET AMBASSADOR TROYANOVSKY (SEE REF C), YAKUTSK COAL PROJECT HAD NOT BEEN MENTIONED AS ONE OF PROJECTS INCLUDED IN MEANING OF PM TANAKA'S LETTER TO FIRST LIMITED OFFICIAL USE

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SECRETARY BREZHNEV PROMISING QTE NECESSARY SUPPORT UNQTE IF PRIVATE AGREEMENTS COULD BE WORKED OUT BETWEEN JAPANESE FIRMS AND SOVIET UNION.

INGERSOLL

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